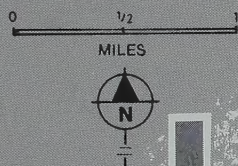


ELLIOT LAKE HIGHLIGHTS

ANNUAL REPORT 1975

AR19

- ★ 93% OF CANADA'S KNOWN URANIUM RESERVES
- ★ DENISON · RIO ALGOM, TWO OF LARGEST URANIUM MINES IN THE WORLD
- ★ ELLIOT LAKE CAMP ESTIMATED RESERVES 320,000,000 TONS GRADING 1.5 POUNDS U_3O_8 PER TON – GEOLOGICAL CONDITIONS SUGGEST ADDITIONAL 320,000,000 TONS SIMILAR GRADE URANIUM COULD BE FOUND
- ★ GEMICO RESERVES 180,000,000 TONS GRADING 0.70 POUNDS U_3O_8 PER TON
- ★ CANUC RESERVES 7,000,000 TONS GRADING 1.86 POUNDS U_3O_8 PER TON



150-1

GEMICO

150-5

150-6

150-2



KNOWN URANIUM ORE DEPOSITS



UNTESTED AREA
CANUC MINES LTD.



COMPLETED DRILLING



PROPOSED DRILLING



SHAFT



RIO ALGOM

DENISON

Block 6

DENISON

Block 5

RIO ALGOM

Block 4

Block 9

GEMICO

CANUC MINES LTD.

PROPERTY LOCATION

ELLIOT LAKE URANIUM AREA

CANUC MINES LIMITED

OFFICERS

Harlow H. Wright	-	-	-	-	-	-	-	-	-	-	-	-	President
Frederick E. Hall	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President
Richard G. Horncastle	-	-	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

DIRECTORS

Malcolm Fox	-	-	-	-	-	-	-	-	-	-	-	-	Les Hauts de St. Paul, France
Frederick E. Hall	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
Richard G. Horncastle	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
Harlow H. Wright	-	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario

Head Office

Suite 1014, 111 Richmond Street West
Toronto, Ontario
M5H 2G4

CANUC MINES LIMITED

TO THE SHAREHOLDERS OF CANUC MINES LIMITED

Your directors submit herewith their report for the fiscal year ended June 30th, 1975, including the audited financial statements of the Company for the year then ended and supplementary unaudited figures as at September 30th, 1975.

On August 11th and 12th, 1975, because of increased trading activity in the Company's shares, the Quebec and Ontario Securities Commissions (the latter at the request of the Company), issued cease trading orders. At that time the Company was not able to make any public announcement concerning its position until the status of its properties and the availability of geological information on adjacent property could be released.

In July, 1975, the Company was advised of the results of a deep drilling program carried out by Kerr-McGee Corporation in recent years on property owned by Gemico A.G. lying immediately to the south-west of the claims held by the Company in the Blind River area of the Province of Ontario. The Kerr-McGee-Gemico property is contiguous to the Company's claims as shown on the enclosed map as Blocks 4, 5, 6 and 9.

The Kerr-McGee drilling indicated a potential of 180,000,000 tons of mineralization containing 126,000,000 pounds of U_3O_8 . Accordingly, a reassessment of the Company's holdings was undertaken by the Company's consulting engineer, Mr. L. J. Cunningham, whose summary report dated September 16th, 1975, is enclosed.

Block 4 was held by the Company subject to a 3% royalty and Block 6 was subject to a sliding scale royalty up to 9%, with an advance royalty of \$50,000 due August 1st, 1975 and every year thereafter. The financial condition of the Company as of that date precluded the payment of the advance royalty and hence, Block 6 would revert to the original vendor.

After lengthy negotiations, the Company entered into agreements with Gemico A.G., Lloyd Chandler and Brian B. Scott under the terms of which the royalties on Blocks 4 and 6 were reduced to 2% and the advance royalty of \$50,000 due August 1st, 1975 and thereafter, was eliminated, in consideration of the allotment and issue of 165,000 shares of the Company's capital stock, the commitment by the Company to drill one diamond drill hole to the Pre-Cambrian basement on either block within two years and to transfer to Gemico A.G., all surface rights not required for mining purposes.

Block 9, which was under option from Delhi Pacific Mines Limited, had been in default since February 1975 because of the Company's financial condition and it was therefore necessary to

increase the royalty from 1% to 2% with respect to that Block, with cash payments being changed from \$10,000 every two years to \$5,000 per year. To meet the current cash payment due in the amount of \$10,000 and to reinstate Block 9, two of your directors guaranteed a bank loan to the Company.

On September 8th, 1975, for providing banking accommodation and other services, further incentive options for the officers and directors of the Company, comprising 150,000 shares at 50¢ per share, have been granted.

On September 30th, 1975, a private placement of 100,000 shares at \$1.10 per share was made with Sogevalor, S.A. to net the Company \$100,000 with an option on 25,000 shares at 50¢ per share.

On December 8th, 1975, the Company acquired from Dunwoodco Ltd., the Trustee in Receivership for Zulapa Mining Corporation Limited, 12 patented claims south of the mineralization on the Gemico ground for \$5,000 and 10,000 shares of the Company, subject to 1% royalty to Gemico A.G.

The Company is contemplating a five-hole deep drilling program on Blocks 4, 5, 6 and 9 at an estimated cost of approximately \$1,000,000. This drill program will cover the untested area west of the scour trough shown on the map accompanying Mr. Cunningham's report for possible extensions of the Quirke and Nordic Zones. Previous drilling on Block 5 has indicated probable ore reserves of 7 million tons grading 1.86 lbs. U_3O_8 per ton.

Discussions are being conducted with major power resource companies to participate in further development of the Company.

The Company is filing a prospectus with the Ontario Securities Commission and has been advised by that Commission that upon acceptance of such prospectus, the cease trading order issued by the Ontario Securities Commission will be lifted.

During the last year, Blocks 2, 3, 7 and 8 which were on their last extension from the Ontario Department of Natural Resources, were returned to the original vendor, Gemico A.G.

A tremendous increase in the demand for uranium is forecast over the next 25 years as shown by the chart on page 7. Prices for present delivery of uranium are approximately \$28 per lb. with recent contracts for delivery in 1978-80 providing for a price of \$40 per lb.

Shareholders will be kept informed of all new important developments in your Company's affairs.

On behalf of the Board,

HARLOW H. WRIGHT,
President.

**REPORT
ON
THE ELLIOT LAKE HOLDINGS
OF
CANUC MINES LIMITED**

INTRODUCTION

During the last 18 months rapidly escalating oil prices have resulted in a marked increase in the interest in uranium with the realization that nuclear power is competitive with both hydroelectric and conventional thermal power.

It was natural that attention would return to Canada which has the largest proven economical reserves of uranium in the free world. Because 93% of these reserves are found in the conglomerate deposits of the Elliot Lake Area of Ontario, it was inevitable that much of the attention would be directed there.

In 1966, S. M. Roscoe, in a Geological Survey of Canada Paper, numbered 66-12, estimated reserves for the Elliot Lake camp at 320,000,000 tons grading 1.5 lbs. U_3O_8 per ton. He further states "It has been estimated that ore and potential found to date in the Elliot Lake Area is probably only about one half of the total that is present to mineable depths within the Huronian belt", or in other words, the geological conditions of the Elliot Lake Area suggest that an additional 320,000,000 tons of similar grade uranium ore may be found.

The Canuc ground occupies a most strategic and favourable location within the Elliot Lake Area.

PROPERTY AND ACCESS

The Canuc property consists of 4 contiguous groups, which were acquired at various times and with varying terms, comprising 80 claims of which 79 are patented or leased.

The Elliot Lake Mining Camp lies halfway between the cities of Sudbury and Sault Ste. Marie and the Canuc claims are crossed by a paved highway, No. 108. The two largest producers of uranium in Canada, Denison Mines Limited and Rio Algom Mines Limited, adjoin the Canuc property on the north.

GEOLOGY

The uranium-bearing conglomerate beds of the Elliot Lake Area were formed by streams flowing southeasterly which deposited sand and gravel over an area eight miles wide. These beds were subsequently covered by younger sediments to a depth of about 5,000 feet and folded to form a large basin about nine miles wide.

Almost all of the reserves of the Elliot Lake Camp are located within two zones, known as the Quirke and the Nordic, which represent ancient stream channels. The Quirke zone is 32,000 feet long and

6,000 to 9,000 feet wide. The Nordic zone is 19,000 feet long and 4,400 to 6,000 feet wide. The Canuc ground occupies a large and favourable location between these two zones.

The Quirke zone has been traced into the Canuc ground by two drill holes which indicate a probable 7 million tons of uraniferous conglomerate grading 1.86 pounds uranium oxide per ton. The third and last Canuc hole, C3, designed to extend this known mineralization, intersected an erosion scour trough which is believed to have removed the uranium-bearing beds. The width of this scour trough is unknown but the available, limited geological information suggests a possible width of about 2,000 feet. Drilling is recommended to test the property west of the scour trough.

The Kerr-McGee Corporation of the U.S.A. has, over a ten year period, completed a multi-million dollar program in the Elliot Lake Area. Only recently has much of the resulting information been made available to Canuc Mines. The highly significant data are the results of three holes drilled immediately west of Canuc which have located a possible extension of the Nordic zone. These suggest a block of ground with an indicated 180,000,000 tons containing a potential reserve of 126,000,000 pounds of uranium oxide. This greatly enhances the possibility of finding uranium-bearing conglomerate beds on the western portion of the Canuc property. The results of the Delhi Pacific hole in Block 9 further emphasize that this potential zone may extend into the Canuc ground.

CONCLUSIONS AND RECOMMENDATIONS

The Canuc ground occupies a highly favourable and untested area lying between the Quirke and Nordic ore zones.

The distance from the most westerly Canuc hole, number C3, and the west boundary of Block 4 is over 13,000 feet.

With the Quirke zone entering the east end of the property and a possible extension of the Nordic zone occurring on the west end of the property, the intervening ground warrants investigation.

Five holes are recommended at an estimated cost of \$871,150.

This estimate is based on the assumption that the holes are drilled consecutively. If the program was accelerated by drilling two holes simultaneously, it is estimated that a savings of \$30,000 to \$40,000 might be realized.

Signed,

Dated at
Kirkland Lake, Ontario,
16th September, 1975.

L. J. CUNNINGHAM, B.Sc., P.Eng.,
Mining Engineer.

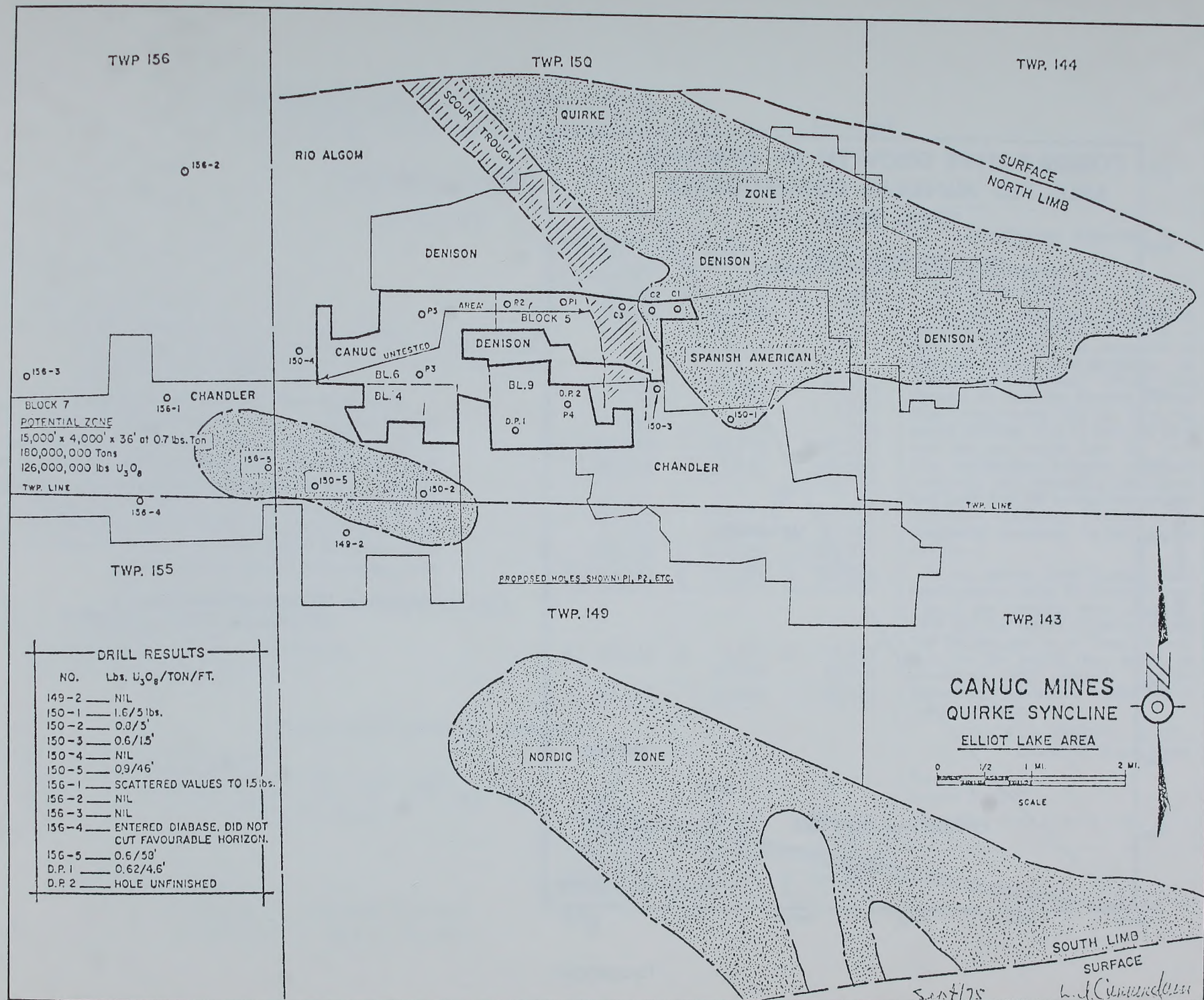
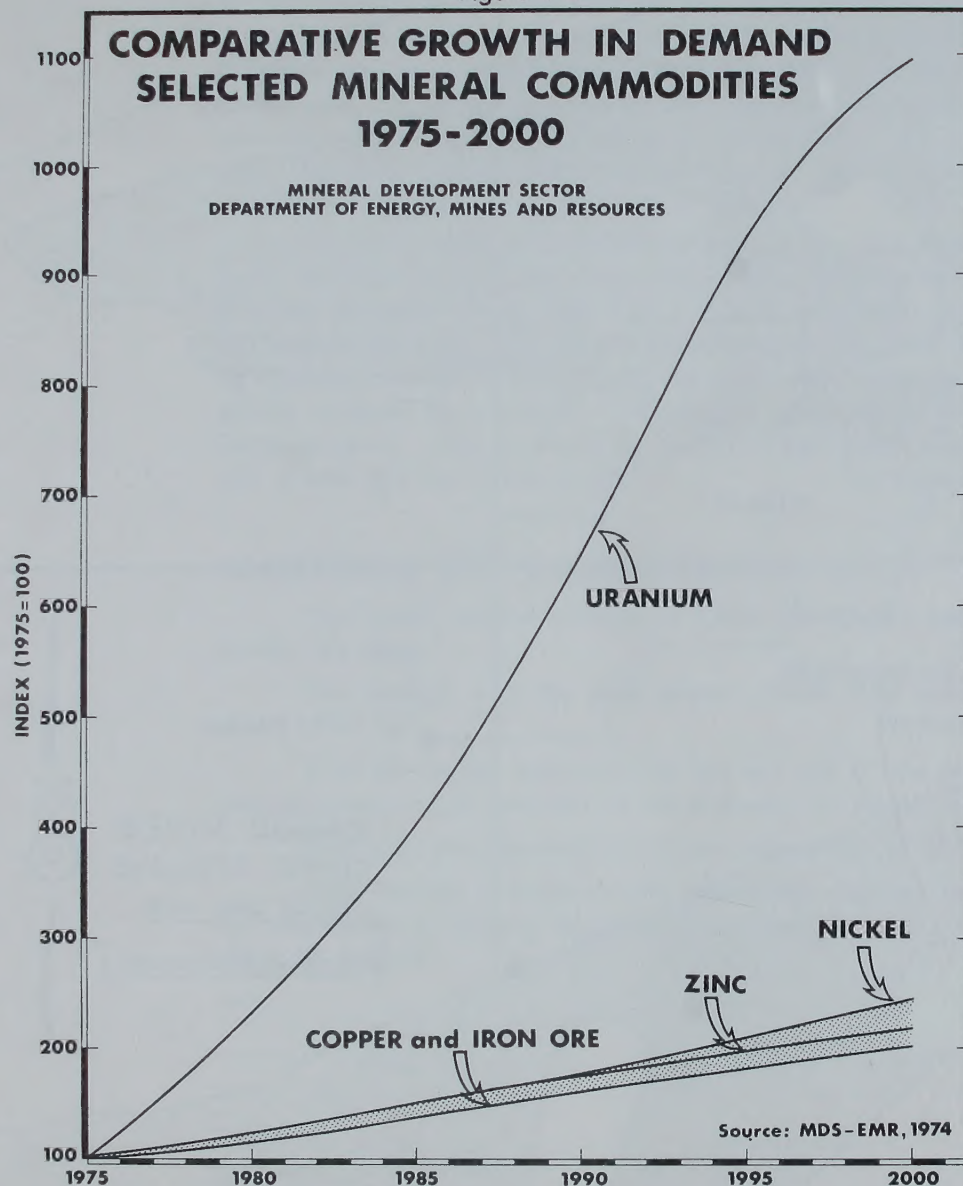


Figure 1.3



It has been stated that the rate of growth in uranium demand is unprecedented at something in the order of 15 to 20 per cent a year over the next ten to fifteen years. Figure 1.3 illustrates this growth rather dramatically in relation to the expected demand for copper, zinc, nickel and iron ore for the period 1975 to 2000. For uranium, we see a ten-fold increase in annual demand over the next 25 years compared with a mere doubling in demand for the other commodities during the same period.

Excerpt from: URANIUM EXPLORATION '75
GEOLOGICAL SURVEY OF CANADA

CANUC MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

ASSETS

	September 30, 1975 (unaudited)	June 30, 1975	June 30, 1974
CURRENT ASSETS			
Cash	\$ 17,206	\$ 3,747	\$ 11,813
Short term deposits	80,000	15,000	
Marketable securities, at cost less provision for decline in market value of \$11,463 (June 30, 1975, \$10,853; 1974, \$12,893) (quoted market value \$3,158 (June 30, 1975, \$3,746; 1974, \$50,815))	3,158	3,768	51,478
Accrued interest	70	58	7,269
Prepaid expenses	300	300	300
	<u>100,734</u>	<u>22,873</u>	<u>70,860</u>
MINING CLAIMS AND OPTIONS (notes 1, 2, 3 and 4)	<u>390,638</u>	<u>225,638</u>	<u>232,725</u>
DEFERRED EXPENDITURES (note 2)			
Exploration	484,773	478,997	448,608
Marketing	37,703	37,703	37,703
	<u>522,476</u>	<u>516,700</u>	<u>486,311</u>
	<u>\$1,013,848</u>	<u>\$ 765,211</u>	<u>\$ 789,896</u>

LIABILITIES

CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 24,617	\$ 3,402	\$ 17,913
Payable on mining claims (note 1)		22,500	12,500
	<u>24,617</u>	<u>25,902</u>	<u>30,413</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 3 and 4)			
Authorized — 5,000,000 shares without par value			
Issued — 2,046,874 shares (June 30, 1975 and 1974, 1,781,874 shares)	1,199,104	924,104	924,104
	<u>209,873</u>	<u>184,795</u>	<u>164,621</u>
DEFICIT	<u>989,231</u>	<u>739,309</u>	<u>759,483</u>
	<u>\$1,013,848</u>	<u>\$ 765,211</u>	<u>\$ 789,896</u>

Approved by the Board:

HARLOW H. WRIGHT, Director.

FREDERICK E. HALL, Director.

AUDITORS' REPORT

To the Shareholders of
Canuc Mines Limited

We have examined the balance sheet of Canuc Mines Limited as at June 30, 1975 and the statements of deferred exploration expenditures, administrative expenses, deficit and changes in financial position for the three years ended July 15, 1973, the period July 16, 1973 to June 30, 1974 and the year ended June 30, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1975 and the results of its operations and the changes in its financial position for the period then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

THORNE RIDDELL & CO.,
Chartered Accountants.

Toronto, Canada,
August 5, 1975.

(September 26 as to notes 1 and 3(i))

CANUC MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

	Three months ended September 30,		Year ended June 30,	July 16, 1973 to June 30,	Year ended July 15,		
	1975	1974	1975	1974	1973	1972	1971
	(unaudited)						
Consulting fees and expenses	\$ 5,279	\$ 700	\$ 5,400	\$ 20,758		\$ 14,909	\$ 4,335
Diamond drilling				10,408			44,128
Field expenses				581	\$ 5,486	112	
Government fees and licences	497	735	2,489	2,873	215	1,611	367
Minimum royalty			22,500	12,500	12,500	12,500	
Surveys				12,750	19,866	3,506	
Legal fees					620	135	4,720
Oil syndicate participation						4,500	
Assays							40
	5,776	1,435	30,389	59,870	38,687	37,273	53,590
Balance deferred at beginning of period	478,997	448,608	448,608	388,738	350,051	332,299	307,417
	484,773	450,043	478,997	448,608	388,738	369,572	361,007
Less expenditures written off						19,521	28,708
Balance deferred at end of period, being expenditures in the Elliot Lake area, Ontario	\$ 484,773	\$ 450,043	\$ 478,997	\$ 448,608	\$ 388,738	\$ 350,051	\$ 332,299

STATEMENT OF ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Year ended June 30,	July 16, 1973 to June 30,	Year ended July 15,		
	1975	1974	1975	1974	1973	1972	1971
	(unaudited)						
Administrative fees	\$ 1,650	\$ 900	\$ 3,600	\$ 4,400	\$ 3,486	\$ 724	\$ 1,399
Directors' fees	800		1,000	1,200	400		
Government fees and taxes	4		175	60	741		
Financial expense	1,029						
Interest							1,447
Legal and audit	4,519	2,025	3,879	6,797	22,344	16,075	3,715
Listing fees						100	100
Office and general expense	447	140	576	1,233	1,588		
Rent	600	600	2,400		1,074		
Shareholders' information			196	969	1,945		4,536
Telephone and telegrams	334	28	77	272	1,371		
Transfer agent's fees	52	173	1,038	1,451	2,068	1,780	2,079
Travelling	2,181	172	1,827	1,409	4,024		
Miscellaneous expenses						1,367	1,981
	11,616	4,038	14,768	17,791	39,041	20,046	15,257
Less interest, dividends and other income	176	506	4,991	5,418	9,826	21,466	39,185
Administrative expenses (net) written off to deficit	\$ 11,440	\$ 3,532	\$ 9,777	\$ 12,373	\$ 29,215	\$ (1,420)	\$ (23,928)

CANUC MINES LIMITED

STATEMENT OF DEFICIT

	Three months ended September 30,		Year ended June 30,	July 16, 1973 to June 30,	Year ended July 15,		
	1975	1974	1975	1974	1973	1972	1971
	(unaudited)						
Deficit at beginning of period	\$ 184,795	\$ 164,621	\$ 164,621	\$ 142,380	\$ 100,984	\$ 80,226	\$ 61,153
Administrative expenses (net)	11,440	3,532	9,777	12,373	29,215	(1,420)	(23,928)
Marketable securities							
Provision for decline (recovery) in market value	610	(508)	(2,040)	9,000	893	(11,293)	14,293
Loss on sale			12,437	868			
Commission on issue of shares and expenses related thereto	13,028						
Options purchased and written off during period					7,601		
Mining claims written off					3,687		
Interest in oil and gas exploration syndicate written off						13,950	
Deferred exploration expenditures written off						19,521	28,708
Deficit at end of period	<u>\$ 209,873</u>	<u>\$ 167,645</u>	<u>\$ 184,795</u>	<u>\$ 164,621</u>	<u>\$ 142,380</u>	<u>\$ 100,984</u>	<u>\$ 80,226</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Three months ended September 30,		Year ended June 30,	July 16, 1973 to June 30,	Year ended July 15,		
	1975	1974	1975	1974	1973	1972	1971
	(unaudited)						
Working capital derived from							
Proceeds on disposal of options (net)		\$ 1,807	\$ 7,228				
Issue of capital stock — for cash	\$ 110,000						
— for mining claims	165,000						
	<u>275,000</u>	<u>1,807</u>	<u>7,228</u>				
Working capital applied to							
Administrative expenses (net)	11,440	3,532	9,777	\$ 12,373	\$ 29,215	\$ (1,420)	\$ (23,928)
Marketable securities							
Provision for decline (recovery) in market value	610	(508)	(2,040)	9,000	893	(11,293)	14,293
Loss on sale			12,437	868			
Commission on issue of shares and expenses related thereto	13,028						
Exploration expenditures	15,776	1,435	30,389	59,870	38,687	37,273	53,590
Mining claims and options							
Acquisition of options	165,000			7,228			
Staking costs			141			15,184	10,000
Options purchased and written off during period					7,601		
Marketing expenditures					16,366	21,337	
Purchase of interest in oil and gas exploration syndicate						13,950	
Reclassification of long term debt							2,000
	<u>205,854</u>	<u>4,459</u>	<u>50,704</u>	<u>89,339</u>	<u>92,762</u>	<u>75,031</u>	<u>55,955</u>
Increase (decrease) in working capital position	69,146	(2,652)	(43,476)	(89,339)	(92,762)	(75,031)	(55,955)
Working capital (deficiency) at beginning of period	(3,029)	40,447	40,447	129,786	222,548	297,579	353,534
Working capital (deficiency) at end of period	<u>\$ 66,117</u>	<u>\$ 37,795</u>	<u>\$ (3,029)</u>	<u>\$ 40,447</u>	<u>\$ 129,786</u>	<u>\$ 222,548</u>	<u>\$ 297,579</u>

CANUC MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

(Information as at September 30, 1975 and for the
three months ended September 30, 1975 and 1974 is unaudited)

	September 30, 1975	June 30, 1975
1. MINING CLAIMS AND OPTIONS		
Sault Ste. Marie and Sudbury Mining Divisions (Elliot Lake area)		
(a) 20 claims (block 5) acquired for \$54,000 and an agreement to pay a royalty of 1% of the selling price of all uranium oxide produced therefrom. In addition, annual payments of \$12,500 are required until the company starts commercial mining operations or relinquishes the mining claims. At such time as the royalty on production becomes payable, the aggregate of any annual payments made shall be applied to reduce the royalties payable on production	\$ 54,000	\$ 54,000
(b) 23 claims (block 6) (certain other claims being allowed to lapse) acquired for 750,000 shares of the company's capital stock valued at \$150,000 and an agreement to pay certain royalties and 11 claims (block 4) acquired for cost of reinstatement. These claims are subject to certain royalties (see below)	316,497	151,497
(c) 25 claims (block 9) acquired for the sum of \$20,000. The agreement provides for a royalty based on the selling price of all uranium oxide produced and in addition, until commercial production has commenced or the mining claims have been relinquished, required payments to be made. Such additional payments are to be considered as being on account of royalty payments (see below)	20,000	20,000
(d) 1 claim (south-west corner block 4) (fractional) acquired for cost of staking adjacent to Claim 129422 in block 4	141	141
	<u>\$ 390,638</u>	<u>\$ 225,638</u>

The company has negotiated modifications to the royalties relating to certain of its claims in the Elliot Lake area as follows:

Blocks 4 and 6 (34 claims)

- (i) By agreement dated August 5, 1975 the three parties having collective royalty rights from 3% to 9% of which an advance royalty of \$50,000 was due on August 1, 1975 (not paid) agreed to reduce their royalty interest to 2% and restore the property rights forfeited for non-payment of the aforementioned \$50,000 in consideration for:
 - (a) 150,000 shares of common stock
 - (b) relinquishing certain surface rights
 - (c) undertaking to complete one diamond drill hole within two years, failing which all title to the claims would be forfeited.

Blocks 4 and 6 (34 claims)

- (ii) By agreement dated September 10, 1975, the company acquired the 10% interest of one of the parties referred to in (i) above in consideration for:
 - (a) 15,000 shares of common stock
 - (b) a 0.2% royalty.

The royalties are to be calculated as a percentage of the selling price of all uranium ore produced and of the net smelter returns for all other minerals produced.

Block 9 (25 claims)

By agreement dated July 29, 1975 the delinquency caused by the non-payment of \$10,000 originally due on August 15, 1974, was waived in consideration of the following:

- (i) payment of \$10,000 on August 5, 1975
- (ii) an increase in the royalty from 1% to 2%
- (iii) a minimum royalty of at least \$5,000 per annum (previously \$10,000 every second year).

2. RECOVERY OF COSTS

At September 30, 1975, exploration and marketing expenditures amounting to \$522,476 have been deferred with the intention that they should be amortized, along with the cost of mining claims, by charges against income from future mining operations. The recovery of these costs is dependent, therefore, upon the obtaining of adequate financing and the development of an economic mining operation.

3. CAPITAL STOCK

- (i) Options on the company's unissued capital stock have been granted and remain outstanding as follows:

<u>Date granted</u>	<u>Number of shares</u>	<u>Exercise price</u>	<u>Expiry date</u>
Officers and directors			
January 15, 1974	90,000	40¢	January 15, 1977
September 8, 1975	150,000	50¢	September 8, 1977
Other			
September 22, 1975	25,000	50¢	See below

Options under "Other" above were granted in consideration of a purchase of 100,000 shares of the company at \$1.10 each and are exercisable within a period of three months from the date upon which the Cease Trading Order currently in effect is lifted by the Ontario Securities Commission.

- (ii) Shares of the company's capital stock have been issued as follows:

	<u>No. of shares</u>	<u>Value</u>
For cash	1,116,340	\$ 868,570
For mining claims	915,000	315,000
For settlement of commissions owing	15,534	15,534
	<u>2,046,874</u>	<u>\$1,199,104</u>

During the period from July 1, 1975 to September 30, 1975 the company issued 100,000 shares for \$110,000 cash and 165,000 shares for mining claims to which the directors have assigned a value of \$165,000.

- (iii) On January 30, 1973 the company obtained a Certificate of Amendment of Articles to change the authorized and issued shares having a par value of \$1 each to shares without par value and eliminate the discount less premium thereon.

4. SUBSEQUENT EVENT

By letter agreement dated November 6, 1975 the company acquired 12 mining claims in the Elliot Lake area in consideration for 10,000 shares of capital stock and \$5,000 cash.

